

CABINET
26 MARCH 2020**RESOURCES REPORT – REVENUE AND CAPITAL BUDGET
MONITORING - MONTH 10 (31 JANUARY) 2019/20**

Relevant Cabinet Member

Mr S E Geraghty

Relevant Officer

Chief Financial Officer

Recommendations

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
 - (a) notes the 2019/20 revenue and capital budget monitoring up to 31 January 2020;
 - (b) notes that £0.25 million has been made available from earmarked reserves to provide support for communities directly affected by the recent flooding incidences and that further updates will be brought back to Cabinet on this spend and any Bellwin claim;
 - (c) agrees that up to £0.7 million expenditure (the amount beneath the Bellwin Scheme threshold) is allocated from earmarked reserves to support recovery expenditure from recent flooding; and
 - (d) notes that £0.2 million has been made available this financial year from earmarked reserves as an initial sum to contribute towards costs arising in response to the Covid-19 outbreak – recognising that further support including from Central Government is likely to be available as circumstances continue.

Introduction

2. This report details the 2019/20 outturn forecast for the Council's £330 million net revenue budget as at Month 10 (31 January 2020) and progress to date on the savings and reforms programme.
3. The Council continues to deliver statutory services and deliver against its Corporate Plan although it is facing service cost pressures of £3.9 million (1.2% of budget), which includes £2.9 million in relation to Adult Services.
4. This is after taking management action around Corporate Budgets to achieve £3.4 million from reducing corporate debt interest costs and pensions payments, and withholding expenditure from the corporate contingency.
5. This report also notes significant underlying cost pressures with regard to the Dedicated Schools Grant (DSG) High Needs Block, which is forecasting a £9.5 million

overspend, with school's forecasting an overall net deficit of £3.4 million on their retained balances.

6. The latest Capital Programme is also reported.

Summary Revenue Budget Monitoring 2019/20 Forecast at Month 10 (31 January 2020)

7. The County Council's net budget of £330 million was set by Full Council in February 2019.

8. This report covers the forecast financial position for 2019/20 to the end of Month 10 (31 January 2020).

9. The overall outturn forecast, as set out in Table 1, at Month 10 is for a net overspend of £3.9 million (1.2% of budget) at the end of 2019/20. This includes a £3.5 million forecast overspend on services, and £6.8 million relating to the timing of the achievement of savings plans, offset by a £3 million planned withdrawal from earmarked reserves, and £3.4 million forecast underspend on corporate items.

10. Whilst previously it had been anticipated that management actions would reduce cost pressures to achieve a balanced budget by the year end, this has not been possible for a number of reasons, including flooding and ongoing adult care demand and it is likely that the £3.9 million net overspend (1.2% of budget) will need to be funded from earmarked reserves (Financial Risk). There have been additional costs arising not only from the general adverse weather conditions of winter, but also from the direct and indirect impacts of flooding which have been incurred to maintain public safety, business continuity and to minimise travel disruption.

11. The Council is working collaboratively with District Councils, other County Councils and partners in response to the recent flooding and the costs of clean-up, recovery and support works will be drawn up for potential support from the Government under their Bellwin Scheme.

Worcestershire Flood Support Scheme and recent flooding events

12. The Council was quick to respond by setting aside £250,000 from the 2019/20 budget to support residents and businesses most affected at this critical time. This money is in addition to and goes further than what the Government has promised to support.

13. This Worcestershire Flood Support Scheme will be managed locally within each divisional area affected to ensure it has the most impact.

14. The allocation of the funding was made under existing budget virement delegations to the Chief Executive and Chief Finance Officer, in consultation with the Cabinet Member with Responsibility for Finance. Progress on spend and outcomes will be reported back to Cabinet during 2020.

15. The total spend on the response to the flooding could exceed the £0.7 million threshold set under the current Government scheme to fund such events (The Bellwin Scheme) and as such officers are looking at submitting a claim. This could see some of the sums recovered, if not we will look at options to fund at year end through reserves. Now we are in the recovery stage we are evaluating total costs incurred during the response stage

for a potential claim through the Bellwin Scheme and a further update will be brought to a future Cabinet meeting.

Coronavirus – Covid-19 Budget for Initial Costs

16. At time of writing, the County Council is prudently taking action and confirming public health and business continuity plans. This will inevitably result in additional expenditure being incurred and at this stage £0.2 million has been set aside from earmarked reserves to fund this activity. This will be subject to review as the situation develops, with updates to be reported to a future Cabinet meeting.

Budget Forecast

17. The outturn forecast for each of the Council's services for 2019/20 is as follows:

Table 1: Summary Outturn Forecast as at Month 10 2019/20

Service	2019/20 Net Budget	2019/20 Forecast	19/20 Draft Variance Before Adj's	Transfer to Capital	Proposed Withdrawal from Reserves / Grants	Proposed C/Fwds	Variance After Adj's	Variance After Adj's	Variance Last Period	Change Since Last Period
	£000	£000	£000	£000	£000	£000	£000	%	£000	£000
Dedicated Schools Grant (DSG)	0	8,489	8,489	0	0	(8,489)	0	-	0	(17)
Children, Families and Communities (Excl DSG)	95,488	96,264	776	0	0	0	776	0.8%	752	24
Economy & Infrastructure	55,749	58,897	3,148	295	(2,999)	(33)	411	0.7%	(33)	444
Commercial and Commissioning	6,393	7,565	1,176	(193)	(1,506)	(4)	(526)	-8.2%	(536)	10
Chief Executive	1,566	4,337	2,771	(146)	(2,735)	11	(99)	-6.3%	(22)	23
Adults	125,870	128,738	2,868	0	0	0	2,868	2.3%	3,177	(309)
Communities	21,165	20,975	(190)	0	0	0	(190)	-0.9%	(518)	328
Public Health	2,388	2,668	279	0	0	0	279	11.7%	353	(74)
Total : Services (Excl DSG)	308,619	319,443	10,828	(44)	(7,240)	(26)	3,519	1.1%	3,173	446
Finance / Corporate Items	30,883	21,704	(9,179)	0	0	5,777	(3,401)	-11.0%	(3,401)	0
Non-Assigned Items	(6,865)	(115)	6,750	0	(3,000)	0	3,750	-54.6%	3,750	0
Funding - Transfer From Reserves	(2,247)	(2,247)	0	0	0	0	0	0.0%	0	0
Total (Excl DSG)	330,390	338,785	8,399	(44)	(10,240)	5,751	3,868	1.2%	3,522	446
Total - Funding	(330,390)	(330,390)	0	0	0	0	0	0.0%	0	0
Grand Total - Services and Funding (Excl DSG)	(0)	8,395	8,399	(44)	(10,240)	5,751	3,868		3,522	446
Dedicated Schools Grant (DSG)	0	8,489	8,489	0	0	(8,489)	0		0	0
Total	(0)	16,884	16,888	(44)	(10,240)	(2,738)	3,868	1.2%	3,522	446

18. A further breakdown for each service area is set out in Appendix 1.

19. Forecast commentary on financial issues is included below in the following paragraphs and variances by individual service area greater than £0.250 million are set out in more detail in Appendix 2.

Children, Families and Communities – Budget £95.5m, £0.5m overspend

20. These services include the contract budget for Worcestershire Children First (WCF) which are reporting alongside services that remain with the County Council. In total these services are forecasting an overspend of £0.5 million. This comprises £0.8 million overspend that relates to the Council and £0.3 million underspend for WCF since the company's creation in October 2019.

21. The WCF £0.3 million underspend comprises £0.3 million overspend on Placements and Provision offset by staffing underspend of -£0.2 million in social care and -£0.4 million for resources support services.

22. For the services prior to WCF, the £72.6 million Children's Social Care budget is forecasting a small underspend of £0.1 million. Within this forecast is a £0.5 million overspend forecast for Placements and Provision, offset in the main by underspends of -£0.6 million across safeguarding, family front door and targeted family support teams.

23. The service is forecasting an overspend of £1 million on the £14.4 million Home to school and college transport budget, which includes potential inflationary pressures of £0.6 million and £0.4 million relating to the reversal of a 2018/19 accounting accrual, and -£0.1 million on other services.

24. The Dedicated Schools Grant (DSG) High Needs block remains an area of significant concern. Last financial year saw expenditure in excess of funding, with the Council not only using up completely non-schools DSG reserves, but moreover ending the year with a £0.6 million 'overdrawn' reserve.

25. The forecast for this financial year continues to cause concern with a gross overspend forecast of £11.8 million compared with the £43.8 million budget for High Needs. The Government has allocated an additional amount of DSG to Worcestershire with around £2.3 million directed to support high needs pressures. There is a net overspend forecast, therefore, of £9.5 million for this financial year which will increase the Council's DSG High Needs 'overdrawn' reserve to £10.1 million.

26. The Council and WCF are working with Schools to optimise pressures within funding, whilst taking every opportunity to lobby Central Government about overall funding allocations.

27. It is worth noting that the Government have advised to treat this as an issue specifically relating to DfE/grant conditions.

28. The Government has announced national increases for Schools and High Needs funding which includes an additional allocation of £8.736 million in 2020-21, which is Worcestershire's share of the national £780 million announced in October 2019 to support High Needs placement and top-up pressures being experienced in all local authorities. This will support the future expected ongoing significant cost pressures in the High Needs DSG, however this will not eliminate the deficit from 2019/20 of around £9.6 million which will need to be carried forward into 2021/22. We understand the Department for Education are reviewing this and we expect further announcements about both the confirmation that this will not be considered a general fund reserve risk and further future funding. The Council continues to lobby and assess actions to address this area of spend.

29. The latest forecast for school's balances prepared for P9 31 December 2019 shows a forecast net deficit position of £3.4 million by the end of the financial year and this is a cause for concern going forward. There are 76 schools that are reporting a surplus and 50 schools forecasting a deficit outturn position. The deficit forecasts relate to secondary schools.

30. The Council continually works with those schools most affected to support them in plans so they can return to a balance position, but the relatively low funding level does not help. This position is consistent with funding pressures faced by local government

education services across the whole country and it remains a key issue for the Council to support schools by lobbying Government for the right level of needs-based funding.

Table 2: Schools P9 Forecast Position - Summary

£10.0m	Schools in Deficit
-£6.6m	Schools in Surplus
£3.4m	Net Deficit

People Directorate – Budget £149.4m, £3.0m Overspend

31. The People Directorate, comprising Adult Social Care, Communities and Public Health, is forecast to overspend its £149.4 million budget by £3.0 million (2%).

32. The Directorate's savings programme of £9.4 million is mostly on target for achievement, with £1 million identified as RED rated which contributes to the overspend forecast.

People Services – Adults – Budget £125.9m, £2.9m Overspend

33. The most significant variances from budget are as follows:

- £2.4 million overspend in respect of the Older People Residential and Nursing services budget due to increased activity and unit price of nursing placements
- £0.4 million net overspend in respect of Learning Disability
- £0.5 million overspend in respect of the Mental Health Residential and Nursing, and domiciliary services
- -£0.4 million underspend on support services.

People Services – Communities – Budget £21.2m, -£0.2m Underspend

34. The most significant variances from this budget are as follows:

- £1 million underspend as a result of vacancies in the Side by Side Service
- £0.5 million overspend in respect of external domiciliary care
- -£0.3 million underspend on archaeology field services due to additional income generation.

People Services - Public Health - £30.1m Expenditure Budget, funded by £28.4m Public Health Grant income. Net Budget £2.4m, £0.3m overspend

35. The ring-fenced Public Health Grant is forecast to be fully spent this financial year with no issues arising.

36. Child Development Centres are now 100% funded by the CCGs with no contribution required from the Public Health Ring Fenced Grant. As such, an underspend is expected in 2019/20 and the reported break-even position above assumes a transfer to PHRFG reserves of £0.4 million.

37. Scientific Services is forecast to overspend by £0.4 million. The overspend represents net staff costs of £0.1 million, reduced income of £0.2 million and an estimate of £0.1 million in respect of additional premises costs.

Economy and Infrastructure – Budget £55.7m, £0.4 million overspend

38. The Economy and Infrastructure Directorate is forecasting to overspend its £55.7 million budget by £0.4 million (0.7%).

39. The main reason for this overspend is as a result of additional routine maintenance on highways and public rights of way as a result of adverse weather conditions experienced across the county. At the time of drafting this report, the Council is in the middle of taking action in response to the flooding events and it is likely that the costs of recovery will increase. We are keeping records in expectation of submitting a claim to Government under the Bellwin scheme to recover some of our costs.

40. Waste Services are forecast to overspend its £27.6 million budget by £2.8 million which relates mostly to achievement of the service savings target being deferred. It is likely that this will be funded by a transfer from the Waste Contract reserve of £2.9 million (subject to future Cabinet approval to withdraw from reserves when the Council's financial outturn at the end of 2019/20 is considered at its meeting in June 2020) with the remaining £0.1 million found through efficient cost management.

41. This reserve may be fully utilised over the next 2 years if no action is taken. The Council is working with its external provider on opportunities to ensure services are delivered within the cash limited budget.

42. The street lighting energy budget is forecast to overspend by £0.3 million, comprising £0.1 million inflationary pressure and £0.2 million energy usage reductions remaining short of the savings target.

43. The Streetworks budget is forecasting to underspend by £0.3 million as a result of staff vacancies and increased income from fees and charges.

44. The Transportation Service is forecasting a net underspend of -£0.4 million as a result of a reduction in Concessionary Fares payments and additional driver training income.

Commercial and Commissioning – Budget £6.4m, £0.5m underspend

45. The Commercial and Commissioning Directorate is forecasting to underspend its £6.4 million budget by -£0.5 million (8.3%).

46. The most significant variance is a £0.4 million underspend as a result of Property Services contract underspends.

47. The Directorate's savings target of £0.5 million is forecast to be achieved this year.

Finance/Corporate Items – £30.9 million, - £3.4 million underspend

48. The Financial Services budget includes corporate items such as Debt Interest and Minimum Revenue Provision (MRP).

49. The £30.9 million budget for Finance/Corporate Items is forecast to underspend in total by -£3.4 million as follows:

- -£1.8 million Whole Organisation Contingency. A corporate contingency of £0.750 million is maintained, which has been increased by a further £1 million set aside from specific grant income to £1.75 million. There are no commitments against this money so the total amount can be released as an underspend to support overall cost pressures
- -£1.2 million. Financing Transactions Borrowing Costs – active treasury management to defer borrowing on the assumption that cash balances are maintained across the County Council and that there is no forecast for rises in borrowing interest rates
- -£0.4 million. Review of balance sheet commitments

50. Following the application of the MRP policy review, it is anticipated that £5 million will be transferred to the financial risk reserve.

Cross Cutting Items – Saving Target £7.4m (-£6.9m of target plus £0.5m of costs).

51. Savings targets are held centrally pending confirmation of specific budgets where budget reductions will be achieved. An additional £0.5 million expenditure has been set aside to fund increased capacity of the procurement team to support the achievement savings. This is anticipated to be funded from earmarked reserves.

52. With regard to the cross-cutting savings that comprise the £7.4 million target, £0.5 million will be achieved through organisational redesign. At this stage the remainder is categorised as RED on the basis that whilst work is ongoing, the individual savings are not likely to be achieved during 2019/20.

Corporate Income – Council Tax, Business Rates, Revenue Support Grant

53. The Council's overall budget is funded by a number of corporate income streams, with the forecast being shown in the table below. Corporate income received was as expected during the year.

Table 3: Summary of outturn for Corporate Income 2019/20

Dir.	Service £000	2019/20 Net Budget	2019/20 Forecast	Variance After Adj's
Funding	Council Tax	(264,428)	(264,428)	0
Funding	Collection Fund (Surplus) / Deficit	(1,721)	(1,721)	0
Funding	Business Rates Retention Scheme	(62,550)	(62,550)	0
Funding	Business Rates Reserve	(1,691)	(1,691)	0
Total	Total - Funding	(330,390)	(330,390)	0

Summary Capital Budget Monitoring 2019/20 Forecast at Month 10 (31 January 2020)

54. The latest Capital Programme was approved by Full Council at its last meeting on 13 February 2020 and is reported at Appendix 7.

55. The Capital Programme was updated to take account of the revised spend profile for key schemes and included significant new capital investment around highways, cutting congestion, street lighting and flood mitigation.

56. The latest information from operational managers is that there are no significant variances arising.

57. The overall revised Capital Budget for 2019/20 totals £160 million.

Table 4: Capital Programme

	LATEST FORECAST 2019/20	LATEST FORECAST 2020/21	LATEST FORECAST 2021/22	LATEST FORECAST 2022/23 and Beyond	LATEST FORECAST TOTAL
TOTAL EXPENDITURE	£000	£000	£000	£000	£000
CHILDREN AND FAMILIES	26,364	10,015			36,379
OPEN FOR BUSINESS	63,252	61,796	8,631	23	133,702
THE ENVIRONMENT	53,847	58,787	16,600	2,000	131,235
HEALTH & WELL-BEING	6,599	2,021			8,620
EFFICIENCY & TRANSFORMATION	10,608	7,375	5,620	5,056	28,659
TOTAL	160,670	139,994	30,851	7,079	338,594

58. The Council is awaiting details of future grant allocations from Government for 2020/21 and later. These will be added to the Capital Programme when known.

Legal Implications

59. Legal advice will be provided to support any changes in service delivery in accordance with the requirements of the Council's policies and procedures.

Financial Implications

60. Members are required under Section 25 of the Local Government Act 2003 to have regard to the Chief Financial Officer's report when making decisions about the budget calculations for each financial year. This is undertaken through the approval of the annual budget in February each year.

61. Section 25 of the Act also covers budget monitoring and this process monitors the robustness of budgets, adequacy of reserves and the management of financial risk throughout the year. This Cabinet report highlights forecast variances arising from current financial performance and the possible impact of existing pressures on future expenditure so that appropriate action may be taken. This has identified the need to draw on reserves to address the overspend in 2019/20. This will be withdrawn from the Financial Risk reserve which is forecast to be around £8.9 million by the end of the year, this is still within the tolerable level and allows the General Fund balance to remain at £12.217 million as forecast by 31 March 2020.

62. In discharging governance and monitoring roles, Members are asked to consider the issues arising and the potential impact on the budget as well as the financial risks arising.

63. The Council's procedures for budget monitoring are reinforced through close financial support to managers and services on an ongoing basis to ensure processes and controls are in place to enable tight financial control.

HR Implications

64. A number of existing savings may impact on staff roles and responsibilities and where appropriate senior officers take advice from the Council's Human Resources team.

65. This will include undertaking consultations with staff, trade unions and any other affected body as appropriate.

Equality Duty Considerations

66. The Council will continue to have due regard to proactively addressing the three elements of the Public Sector Equality Duty in all relevant areas – in particular the planning and delivery of our services. The Council will continue to assess the equality impact of all relevant transformational change programmes and will ensure that Full Council has sufficient equalities assessment information to enable it to have due regard to the three elements of the Equality Duty when considering any changes to the budget. The Council will continue to ensure best practice is followed with regard to these requirements.

Risk Implications

67. The Cabinet report includes recommendations regarding the Council's forecast financial position for 2019/20 and the carry forward of earmarked reserves and unspent grants.

68. If approved, there are normal risks regarding ensuring that appropriate qualifying expenditure is incurred, and that spending is within the cash limited for budgets. These risks are mitigated through the regular budget monitoring process.

Privacy and Public Health Impact Assessment

69. A Health Impact Assessment has been undertaken with regard to this report and recommendations relating to new spending decisions to understand the potential impact they can have on Public Health outcomes across the county area.

70. This report is mainly about confirming the forecast financial position at this stage of the year reflecting existing Cabinet decisions and policies, and where appropriate utilising specific grant monies with spending restrictions associate with these grants, and allocating initial funding to support flooding and coronavirus outbreak.

71. Taking this into account, it has been concluded that there are no other specific health impacts as a result of new decisions arising from this Cabinet report.

72. A similar assessment has been undertaken with regard to privacy/data protection and has confirmed that there is no impact anticipated as a result of this report.

Supporting Information – available electronically only

- **Appendix 1** – Budget Monitoring Outturn Forecast for Month 10 - 31 January 2020
- **Appendix 2** - Budget variances greater than £0.250 million
- **Appendix 3** - Capitalisation
- **Appendix 4** – Proposed withdrawal from Grants/Reserves
- **Appendix 5** – Proposed Carry Forwards – Grants / Earmarked Reserves
- **Appendix 6** – List of Savings / RAG Analysis
- **Appendix 7** – Capital Programme

Contact Points

County Council Contact Points

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Specific Contact Points for this Report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

Previous Cabinet Resources Reports